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Transcript of Michael Sarrao

Date: May 19, 2022

Case: Reed, et al. -v- Alecto Healthcare Services, LLC, et al.

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF WEST VIRGINIA
AT WHEELING

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KEITH REED, et al., :
Plaintiffs, :
v. : Case No.
ALECTO HEALTHCARE SERVICES : 5:19-cv-00263-JPB
LLC, et al., :
Defendants. :

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Videotaped Virtual Deposition of MICHAEL SARRAO
Thursday, May 19, 2022
10:39 a.m. CST

Job No.: 449917

Pages: 1 - 184

Reported by: Tiffany M. Pietrzyk, CSR RPR CRR

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1	confused.	11:23:35
2	If I understood you correctly, in 2018, the	11:23:36
3	Alecto Wheeling started asking MPT for extra funds;	11:23:43
4	is that right?	11:23:48
5	A. Yeah. But again, it wasn't like a direct	11:23:49
6	ask. Give us 5 million, give us 10 million. It was	11:23:51
7	hey, we need some help here, can we get some more	11:23:54
8	money, kind of indirect questions about that.	11:23:57
9	Q. Okay. And -- and that got shot down; right?	11:23:59
10	A. Correct.	11:24:02
11	Q. Okay. And so then -- then later, you asked	11:24:03
12	more specifically, and that got shot down too?	11:24:06
13	A. Correct. We asked specifically, more	11:24:09
14	specifically, for \$20 million. And that got shot	11:24:12
15	down, and any additional money got shot down.	11:24:14
16	Q. All right. Maybe that wasn't a surprise	11:24:16
17	since they had rejected the earlier asks.	11:24:19
18	A. Yes and no. I mean, we thought that they	11:24:23
19	might consider it again, and so we asked	11:24:28
20	specifically and that was rejected.	11:24:30
21	Q. Is there documentation of that ask of 20	11:24:31
22	million?	11:24:36
23	A. I don't believe there's documentation. I	11:24:36
24	know Mr. Reddy met with the CFO of MPT. I think --	11:24:38

1	I believe in-person. And then Mr. Krissman and I	11:24:44
2	had a phone call with the CFO of MPT.	11:24:47
3	Q. When did you have that phone call with the	11:24:51
4	CFO of MPT?	11:24:52
5	A. Probably June, June of 2019. I don't	11:24:55
6	remember the exact date. But --	11:24:58
7	Q. What was that gentleman's name?	11:25:01
8	A. The CFO of MPT is Steve Hamner.	11:25:02
9	Q. Okay. And so -- so you and -- did you say	11:25:09
10	that was Mr. Krissman? You and Mr. Krissman?	11:25:11
11	A. Mr. Krissman and I, yeah. So it would have	11:25:13
12	been before July 31st. At the same time we were	11:25:16
13	talking to Prime Healthcare about potentially	11:25:18
14	purchasing the hospitals, and MPT has a relationship	11:25:21
15	with Prime, so it's right around that time period.	11:25:23
16	Q. Okay. So you and Mr. Krissman got on the	11:25:25
17	phone with Mr. Hamner and you asked him verbally for	11:25:28
18	\$20 million?	11:25:32
19	A. Correct.	11:25:33
20	Q. Okay. And he said -- what did he say?	11:25:34
21	A. He said no. Emphatically, he said no. He	11:25:37
22	was surprised we were asking him again. He	11:25:43
23	emphatically said no to \$20 million. Or any amount	11:25:46
24	of money, he said no.	11:25:49

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1	had a formal estimate of that. We had financials	13:00:13
2	that said -- I'm just making these numbers up -- it	13:00:16
3	costs 8 million bucks a month to run the place, and	13:00:17
4	we're collecting six and a half. So obviously we	13:00:20
5	need at least a million and a half more, you know,	13:00:23
6	kind of thing. But there was no formal -- I don't	13:00:25
7	think there was any formal, hey, we need another	13:00:26
8	\$20 million. And borrowing the money wasn't	13:00:29
9	possible so, that's what I would say.	13:00:31
10	BY MS. DAVIDSON-WELLING:	13:00:34
11	Q. What do you mean borrowing the money wasn't	13:00:34
12	possible?	13:00:36
13	A. Well, we had nothing to offer as collateral.	13:00:36
14	So MPT had a lien over all the assets except the AR.	13:00:39
15	White Oak, then CNH, had an asset -- a lien over all	13:00:45
16	the accounts receivable. The federal government had	13:00:48
17	a lien because we were behind paying the IRS payroll	13:00:51
18	taxes. So any lender wants to have collateral.	13:00:54
19	They want collateral for their loan. Just like if	13:00:57
20	you have a house, and your house is worth a million,	13:01:00
21	you have a million dollars' loan, you can't go get	13:01:03
22	another home loan. You need collateral. We had no	13:01:06
23	collateral to offer to anybody to get a loan.	13:01:10
24	We have nothing -- nothing that was	13:01:13

1 unencumbered that we could offer, and all the other 13:01:14
2 Aleto hospitals were already cross-collateralized 13:01:18
3 with Ohio Valley. So we had already offered that 13:01:22
4 security to get the financing we got. We gave up 13:01:24
5 the value in those other hospitals to get Ohio 13:01:27
6 Valley the security it had and the financing it had. 13:01:31
7 So there was nothing to -- nothing to offer to a 13:01:33
8 lender. No lender was going to lend to us without 13:01:36
9 collateral and there was nothing -- you couldn't do 13:01:38
10 AR lender, but the borrowing would be the same, 13:01:41
11 because it's the same collateral. MPT had a lien 13:01:43
12 over everything other than the AR. 13:01:46

13 Q. Okay. So basically, you know, in 2019, 13:01:48
14 there was really no way to get a loan for, like, 13:01:54
15 additional investment funds? 13:01:58

16 A. Correct. Well, the only hope of getting a 13:02:01
17 loan would have been from, like, we asked the 13:02:05
18 Catholic diocese, we asked the governor. It would 13:02:06
19 have to be an unsecured loan, more likely a grant 13:02:10
20 than it would be a loan, a traditional loan that you 13:02:15
21 would get from a lender or a financing source. But 13:02:16
22 we did ask the government for a loan. We asked -- I 13:02:16
23 wrote a letter, at one point, to the bishop for 13:02:20
24 money and kind of -- new bishop tried to -- I'm 13:02:22

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1	BY MS. DAVIDSON-WELLING:	15:15:15
2	Q. Mr. Sarrao, before the break, you had been	15:15:16
3	talking about flexing.	15:15:20
4	Do you remember that?	15:15:22
5	A. I do.	15:15:22
6	Q. Okay. For the individuals who were flexed	15:15:23
7	off at OVMC in September of 2019, did you have any	15:15:27
8	expectation that they were going to return to work?	15:15:30
9	A. In September of '19, there was still hope	15:15:33
10	that someone would take over the hospital and keep	15:15:36
11	operating the hospital, so yes, there was an	15:15:38
12	expectation that at least some of those people could	15:15:40
13	come back to work. I don't know all the people that	15:15:43
14	were flexed, but September '19, there was still hope	15:15:46
15	that someone would come in and reopen the hospital	15:15:48
16	and keep the hospital going, so yes.	15:15:50
17	Q. Okay. But -- but if there was no -- if	15:15:52
18	there was no sale, other than that possibility, you	15:15:59
19	had no expectation that they -- that they would	15:16:02
20	return to work; correct?	15:16:08
21	A. No, that's not true, because there could be	15:16:10
22	something different than a sale. There was	15:16:13
23	discussions with WVU about coming in and offering	15:16:16
24	some psych services out of that hospital. There	15:16:19

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1 were discussions with Northwood Health about 15:16:22
2 something related to psych. So something would have 15:16:22
3 had to happen, but again, there were things going on 15:16:25
4 in September of '19. I don't know all the people 15:16:28
5 who were flexed off, and who was flexed off and who 15:16:30
6 wasn't, and what their roles were. But something -- 15:16:32
7 something would -- there was still possibility that 15:16:35
8 something could happen. 15:16:38

9 Q. Do you mean that if there was an acquisition 15:16:38
10 or some other similar thing, in that instance, you 15:16:57
11 would have an expectation that they would return to 15:17:01
12 work? 15:17:03

13 A. Yeah, it wouldn't be -- it could be 15:17:03
14 something other than an acquisition. Remember, MPT 15:17:06
15 owns the property. They could lease space to WVU to 15:17:09
16 take over two floors, and they could have those 15:17:12
17 people come back, and they could be working. So 15:17:16
18 something would have to happen for them to come 15:17:18
19 back. Again, I don't know all the people that were 15:17:20
20 flexed off. In other words, people stayed beyond 15:17:22
21 the October time frame -- so I don't know all those 15:17:25
22 people who were flexed off. 15:17:28

23 Q. Okay. All right. So as far as you're 15:17:36
24 aware, did Aleco Wheeling ever inform any OVMC 15:17:54

1 employees that they were giving them less than 15:18:00
2 60 days advance written notice? 15:18:02

3 A. I'm not sure I follow your question there. 15:18:04
4 So maybe I'm just confused and I didn't understand 15:18:06
5 it. So like, some kind of notice is saying, hey, 15:18:10
6 we're only giving you 15 days notice, we're only 15:18:13
7 gonna give you 30 days notice. 15:18:17

8 Q. Yeah. Did they do anything like that? 15:18:18

9 A. I mean, I know there was that release we 15:18:20
10 looked at about suspending services. I don't think 15:18:22
11 so, but I'm not -- I don't know that 100 percent. I 15:18:25
12 don't think there was, like, another follow-up 15:18:27
13 notice saying, hey, we know we said it was 60 days, 15:18:28
14 now it's only going to be 10 days or 15 days or 35 15:18:32
15 or 40 days. I don't believe so. I know there's 15:18:35
16 that release that went out suspending services. 15:18:38
17 People reach certain conclusions. And Dan Dunmyer 15:18:41
18 may have done that, but I don't know one way or the 15:18:45
19 other. 15:18:47

20 Q. As far as you're aware, there was nothing 15:18:47
21 like that? 15:18:51

22 A. As far as I'm aware, there was nothing like 15:18:51
23 that, correct. 15:18:53

24 Q. And then as far as you're aware, Alecto 15:18:54